



National Credit Union Administration

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Board Member

**Statement on Final Rules Regulating
Conversions to Private Insurance and Mutual Savings Banks**

**NCUA Board Meeting
January 13, 2005**

Today I will vote to take two extremely important actions to protect the members of federally insured credit unions. I am proud to say that these actions are among the most important consumer protection regulations ever promulgated by this agency. I strongly believe that before members are asked to decide issues as critical as the ownership of their credit unions and how their savings will be insured, NCUA must fulfill its responsibility to ensure that members are fully informed.

In strengthening NCUA's rules governing conversions to private insurance and mutual savings banks, we are guaranteeing that members will receive accurate and complete information upon which to base their own votes. Both rules specify exactly *what* information must be shared with members, *when* this information must be sent, and *how* this information must be prominently displayed.

These rules are *not* intended to prevent conversions to private insurance or mutual savings banks; nor are they intended to infringe on the authority of other regulators. Most important, these rules are not intended to restrict members' right to vote. Members have every right to vote to convert their credit unions to private insurance or mutual savings banks, when their votes are based on information that is complete and accurate.

Both of these rules are based on experience. Conversion information sent to members has been incomplete, misleading – and in some cases, wrong. I first raised concerns about private insurance disclosures in September 2002. Since then, NCUA has seen first-hand the misleading and inaccurate information that has preceded votes to convert. These rules are intended to prevent such egregious distortions.

Just as important as the information provided before each vote, NCUA must also fulfill its responsibility to ensure the integrity of each vote. Secret ballots and independent tellers are fundamental rights in America's democratic electoral system. Voters in a democracy have a right to know that their votes will be cast freely and counted fairly. Credit unions are the only financial institutions remaining with truly democratic ownership. Whether voting on conversions to private insurance or mutual savings banks, I believe credit union members deserve nothing less than the full protections of our democratic process.